

PIONEER OIL AND GAS
FINANCIAL STATEMENTS
(UNAUDITED)

December 31, 2008

JONES SIMKINS P.C.



CERTIFIED PUBLIC ACCOUNTANTS

PIONEER OIL AND GAS
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ACCOUNTANTS' REPORT

To the Board of Directors and
Stockholders of Pioneer Oil and Gas

We have compiled the accompanying balance sheet of Pioneer Oil and Gas as of December 31, 2008, and the related statements of operations and cash flows for the three months ended December 31, 2008 and 2007, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements information that is the representation of management. We have not audited or reviewed the accompanying financial statements and, accordingly, do not express an opinion or any other form of assurance on them.

Management has elected to omit substantially all of the disclosures required by generally accepted accounting principles. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Company's financial position, results of operations, and cash flows. Accordingly, these financial statements are not designed for those who are not informed about such matters.

The balance sheet as of September 30, 2008, was audited by us, and we expressed an unqualified opinion on it in our report dated December 24, 2008, but we have not performed any auditing procedures since that date.

JONES SIMKINS, P.C.
Logan, Utah
February 24, 2009

PIONEER OIL AND GAS
BALANCE SHEETS
December 31, 2008 and 2007

<u>Assets</u>	<u>2008</u>	<u>2007</u>
Current assets:		
Cash	\$ 4,542,768	10,443,315
Investments, available for sale	1,633,657	1,678,855
Accounts receivable	72,338	321,175
Income taxes receivable and prepaid	131,200	131,200
Resale leases, at lower of cost or market	3,972,692	3,958,609
Deferred income tax asset	66,000	16,000
Total current assets	10,418,655	16,549,154
Property and equipment, net	412,285	416,354
Other assets	2,230	2,230
	<u>\$ 10,833,170</u>	<u>16,967,738</u>
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Accounts payable	\$ 45,240	41,600
Payable - common stock repurchases	315,639	323,739
Dividends payable	103,529	-
Accrued expenses	26,220	474,255
Total current liabilities	490,628	839,594
Deferred income taxes	89,000	88,000
Asset retirement obligation	49,668	49,298
Total liabilities	629,296	976,892
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$.001 per share, 50,000,000 shares authorized; 7,678,676 and 7,318,676 shares issued and outstanding, respectively	7,679	7,319
Additional paid-in capital	1,593,654	1,063,507
Stock subscription receivable	(142,865)	(86,360)
Accumulated other comprehensive income	(10,343)	(30,145)
Retained earnings	8,755,749	15,093,030
	10,203,874	16,047,351
Less treasury stock, 28,900 shares at cost	-	(56,505)
Total stockholders' equity	10,203,874	15,990,846
	<u>\$ 10,833,170</u>	<u>16,967,738</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF OPERATIONS
Three Months Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Revenue:		
Oil and gas sales	\$ 106,469	169,491
Royalty revenue	63,903	107,196
Project and lease sales income	-	(11,260)
	<u>170,372</u>	<u>265,427</u>
Costs and expenses:		
Cost of operations	87,029	176,975
General and administrative expenses	232,075	117,099
Exploration costs	70,867	61,484
Lease rentals	82,118	76,376
Depreciation, depletion and amortization	4,069	11,122
	<u>476,158</u>	<u>443,056</u>
Loss from operations	<u>(305,786)</u>	<u>(177,629)</u>
Other income:		
Interest income	48,955	58,828
Other	3,490	2,388
	<u>52,445</u>	<u>61,216</u>
Loss before benefit for income taxes	(253,341)	(116,413)
Benefit for income taxes	<u>(59,000)</u>	<u>(45,000)</u>
Net loss	<u>\$ (194,341)</u>	<u>(71,413)</u>
Net loss per common share:		
Basic	<u>\$ (0.03)</u>	<u>(0.01)</u>
Diluted	<u>\$ (0.03)</u>	<u>(0.01)</u>
Weighted average common shares:		
Basic	<u>7,665,000</u>	<u>7,319,000</u>
Diluted	<u>7,762,000</u>	<u>7,441,000</u>

See Accountants' Report.

PIONEER OIL AND GAS
STATEMENTS OF CASH FLOWS
Three Months Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Net loss	\$ (194,341)	(71,413)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation, depletion and amortization	4,069	11,122
Accretion expense	370	544
Stock-based compensation	98,507	-
Deferred income taxes	(59,000)	(45,000)
(Increase) decrease in:		
Accounts receivable	248,837	3,887
Income taxes receivable and prepaid	-	(2,200)
Resale leases	(14,083)	(63,989)
Increase (decrease) in:		
Accounts payable	3,640	(128,303)
Accrued expenses	(448,035)	2,290
	<u>(360,036)</u>	<u>(293,062)</u>
Net cash used in operating activities		
Cash flows from investing activities:		
Acquisition of property and equipment	-	(1,995)
Sales of investments, available for sale	75,000	-
	<u>75,000</u>	<u>-</u>
Net cash provided by (used in) investing activities	<u>75,000</u>	<u>(1,995)</u>
Cash flows from financing activities:		
Payable - common stock repurchases	(8,100)	(150)
Proceeds from issuance of common stock	432,000	-
Payment of dividends	(6,039,411)	-
	<u>(5,615,511)</u>	<u>(150)</u>
Net cash used in financing activities		
Net decrease in cash	(5,900,547)	(295,207)
Cash, beginning of period	<u>10,443,315</u>	<u>6,491,269</u>
Cash, end of period	<u>\$ 4,542,768</u>	<u>6,196,062</u>

See Accountants' Report.

PIONEER OIL AND GAS
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION
Three Months Ended December 31, 2008 and 2007

During the three months ended December 31, 2008 the Company:

- Recorded an increase in investments of \$29,802, a decrease in unrealized holding loss of \$19,802, and reduced the investment related deferred income tax asset by \$10,000.
- Sold 28,900 shares of treasury stock to the Company's ESOP at a cost of \$56,505 in exchange for a stock subscription receivable.

During the three months ended December 31, 2007 the Company:

- Recorded a reduction in investments of \$1,000 and an unrealized holding loss of \$1,000.
- Sold 5,000 shares of treasury stock to the Company's ESOP at a cost of \$10,000 in exchange for a stock subscription receivable.

See Accountants' Report.